The Shadow Network

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After Russia's full-scale invasion of Ukraine in February 2022, the US, EU, and their partners imposed extensive sanctions, including a ban on dual-use goods. Sales of these items to Russia declined, but imports and re-exports to Russia by non-sanctioning states like China, Turkey and the Commonwealth of Independent States (CIS) countries, particularly Kazakhstan and Kyrgyzstan, increased significantly.

Understanding Dual-Use Goods

Dual-use goods are items that have both civilian and military applications. These can include advanced electronics, semiconductors, and other high-tech components essential for both consumer products and military hard-

ware. The versatility of dual-use goods makes them particularly difficult to regulate, as they are integral to many aspects of modern technology and industry. Russia's exploitation of dual-use goods enables it to circumvent sanctions more easily, as these items can be disguised as civilian imports. Consequently, this dual-use nature complicates international efforts to restrict the flow of essential technologies to Russia, despite the embargoes in place.

The Dynamics in Kazakhstan and Kyrgyzstan

According to a study from the IESEG School, from February 2022 to September 2023, EU exports of dual-use goods to Russia declined by €3.231 billion, or 95.44%. However, exports of the same items to Central Asian nations, as well as other Moscow-aligned countries, increased sharply, nearly offsetting this loss. In particular, Kyrgyzstan experienced a massive increase in the imports of dual-use goods, rising by 1682.47%. Similarly, Kazakhstan saw its imports of these goods rise by 333.18%. While exact data on the amount being re-exported to Russia and the full extent of sanction circumvention are unclear, the significant increase in imports of dual-use goods suggest that these items are not only for domestic use but are being re-exported. Additionally, electronics and other components recovered from Russian weapons on the battlefield in Ukraine have been repeatedly traced back to Kazakh and Kyrgyz companies. Despite the fact that Tokayev and Yaparov, the Kazakh and Kyrgyz president, have assured that they will not allow their territory to be used to circumvent sanctions.

Routes of Sanction Circumvention

In the case of Kazakhstan and Kyrgyzstan, it is assumed that goods subject to Western sanctions are first placed by firms located in the two countries, with the destination listed as the same as the origin. Additionally, when goods are shipped from the US and EU via Poland, Finland or the Baltic States, they must pass through Belarus or Russia to reach Central Asia. However, upon reaching Russia, goods are often either unloaded directly or later re-exported. Indeed, the system of sanction circumvention requires a whole network of different actors, involving not only Kazakh, Kyrgyz, Russian and Belorussian entities but also participants from EU countries itself.

EU and US Strategies To Combat Sanction Circumvention

To combat sanction circumvention, particularly for dual-use goods, the EU, the US and its partners have been working closely together. As such, they have jointly created a list naming several prohibited dual-use goods and advanced technology items used in Russian military systems. Moreover, utilising its extraterritorial sanction regimes, the US Treasury's Office of Foreign Assets Control (OFAC) has sanctioned several Kazakh and Kyrgyz firms. Among the most recent ones are the Kazakh firms Da Group 22 and

Elem Group, receiving and re-exporting dual-use goods, in the form of electronic and telecommunication equipment, from a German company. Additionally, the Kyrgyz firm Ukon has been sanctioned for sending US aircraft components to Russia.

The EU has also significantly intensified its efforts to combat sanction circumvention, that is, despite the EU's extraterritorial dilemma, meaning its inability to impose sanctions outside its own jurisdiction. Since its 11th sanction package, the EU has created a list of entities and frozen the assets of those allegedly involved in sanction circumvention. Another innovative measure is the anti-circumvention tool, which allows the EU to ban the export of specific European products to targeted countries.

Despite these efforts, increased monitoring and regulation of sanctions, especially on dual-use goods, and continued cooperation are crucial in order to further support Ukraine's fight for freedom and to curb Russia's war efforts.

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